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STEPS TOWARDS THE STABILIZATION OF GOVERNANCE AND LIVELIHOODS IN NORTHERN SUDAN

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

I. Outline

1. This paper was commissioned in accordance with USAID Scope of Work for analytical services in support of USAID stabilization activities in the Sudan. The objective is to provide technical assistance to identify and develop program strategies to: (1) stabilize livelihood collapse and social resilience due to widespread violent conflict in Darfur, Sudan with the aim of saving lives and alleviating the suffering of those most affected; and (2) mitigate the effects of further widespread violent conflict and instability in the east and north of the country.
2. The paper analyzes some of the main challenges facing Sudan as it embarks upon the six-year Interim Period in July 2005. This will be a difficult and fraught period in which the conduct of national political issues—the composition of the Government of National Unity and the management of conflict—will determine whether or not the country is able to secure a peaceful, stable, democratic and prosperous future.
3. The success of Sudan's transitions will also be determined by the stabilization of provincial governance and livelihoods, both rural and urban. Addressing these will demand a broad and long-term approach. The overarching recommendation to USAID is the need for a strategic plan for the stabilization of governance and livelihoods in Northern Sudan. The formation of the Government of National Unity should be an opportunity for breaking out of the crisis-management mindset that has necessarily dominated approaches towards Sudan's problems. At the minimum, a strategic plan should cover the six years of the Interim Period. Short-term actions should be consistent with these longer-term goals.
4. Within this framework there are nine specific recommendations to USAID:
 - a. Contingency planning: Careful contingency planning to identify the threats to the transition from various sources is needed, along with examination of contingency measures necessary to respond to these threats.
 - b. Stabilize the non-conflict areas: Governance and development interventions should begin at once in areas not affected by conflict.
 - c. Enact a priority program for Eastern Sudan to pre-empt an outbreak of war, and monitor Kordofan closely.
 - d. Develop a 'National Security Promotion Strategy', to frame DDR, security sector reform and conflict management, using the PRSP process as a model for how to frame goals, assessment and stakeholder participation.
 - e. Work with the national and state governments to develop a practical plan for 'mixed' local government, using both Native Administration and a professional civil service. This might be called Sudan's 'Marshall Plan' in memory of Prof. A. H. Marshall, who successfully advocated this approach in 1948.
 - f. Revive the process of national food security planning, to overcome the immense year-on-year fluctuations in agricultural production and the inefficiencies of food supply generated by market fragmentation.
 - g. Focus on financial sector reform as the core activity necessary for the viability of rural trade and production, and the strengthening of the middle class.
 - h. Invest in rural infrastructure, including cellphones and rural communication centers, roads, agricultural extension and veterinary services to make the rural production sector more economically competitive.
 - i. Build up education, focusing on all levels including the tertiary level, to provide a stabilizing environment and a quick win for the peace dividend.

II. Analysis and Background

5. The Naivasha Comprehensive Peace Agreement was a milestone in Sudan's history. It was agreed after an exceptionally long and detailed process of negotiation. But signing the agreement is just one step—albeit an absolutely essential one—on a long road to a lasting peace, that combines with democracy and reconstruction.

6. In the coming years, Sudan faces multiple transitions: from war to peace, from military rule to democracy, from centralization to a genuine federalism and devolution of power, and from emergency to development. It may even face a transition from one country to two. This is a heavy burden to place upon a political infrastructure that is weakened by decades of crisis and a collapse of legitimacy, and which has relied on coercion to manage its own survival. This section provides an overview of the challenges of the coming transition.

The Sudanese State

7. The Sudanese state is both the problem and part of the solution. It has been marked by ethno-religious exclusivism ever since the Khartoum traders and mercenaries of the 19th century carved out a conquest state in the Nile Valley. Sudan has historically been dominated by a small elite of traders, soldiers and administrators, drawn from a narrow ethno-geographical spectrum (three tribes along the Nile north of Khartoum), and with a particular 'Arab' cultural and religious orientation. This group invests politically and economically in the capital city: an Arab metropolis surrounded by impoverished sub-Saharan expanses. This polarization reached its zenith under the current regime.

8. The reaction to this exclusivism is the New Sudan project of the last twenty years. The impulse for equality and emancipation pulls in two opposite directions. One is exemplified by John Garang, who insists that the peripheries (especially the South but including others) should win the strongest possible representation at the center in order to obtain a fair share of resources. The second impetus is separatist: to break away and establish new states or autonomous regions. While the peoples of the peripheries are emotionally drawn towards separatism, their material interests usually draw them back towards striving for a share of the wealth and power in Khartoum.

9. Currently, we see a politics driven by exhaustion, with the main parties worn down by decades of war, and the failure of ambitious ideological projects. Political idealism has been replaced by geographical arithmetic, the devising of formulae for power-sharing among parties and geographically-defined constituencies. In the past (until 1989), a weak center sought to co-opt regional constituencies to create a power base. The new pattern is that every regional constituency is seeking a well-defined stake in the national power center. Exhaustion has allowed a peace deal to be hammered out.

The Sudanese Economy

10. Sudan's economy is one of the most unequal in the world. The concentration of wealth flows partly from the structural impediments to rural development, partly from the political control exercised by the political-commercial-military elite for more than 100 years, and partly from key characteristics of the Sudanese financial system.

11. There is a chronic crisis of rural production in Sudan. Aspects of this crisis include the following:

- a. Extreme volatility of production. Most of Sudan's agriculture is rainfed, and production in all areas follows the same pattern of boom and bust.
- b. The fragmentation of markets and costs of transport mean that returns to producers are very low and unreliable.
- c. These two factors combine to restrict farming profits to two main subsectors, namely large-scale commercial farming of sorghum on the central plains and irrigated production on alluvial soils (wadis), for example in western Darfur.
- d. As a result, there is widespread labor migration from the rural peripheries to the center of Sudan, including the cities and farming schemes.
- e. The absence of a workable banking system means that credit is either unavailable or at exceptionally high rates. The 'sheil' system is a form of mortgaging crops, at severe disadvantage to the farmer. Rural traders operate on very slender margins, providing an essential service, but at high cost to the producer.
- f. Livestock are the major store of capital and means of accumulation in remoter areas, including Darfur, much of Kordofan and the East. This has far-reaching implications. Livestock are the most efficient store of wealth in the absence of a banking system. But they are a target for theft including organized looting. Livestock and irrigated wadi agriculture compete for water; livestock and commercial rainfed agriculture compete for grazing land; and sedentary and semi-nomadic livestock compete for both.

12. Sudan's financial structure is in crisis.¹ What remains might be characterized as 'Jellaba commercialism' after the mode of operation of the trading elite. In this system, credit is available only on a short-term basis. There are no home equity loans (readily observed by the fact that it takes a decade or more to build a family house, bit by bit, so that Sudanese towns' residential neighborhoods resemble building sites) and virtually no multi-year agricultural credit. Only the trading sector, the consumer sector (funded by hard-currency remittances) and the oil sector prosper. The rural production sector is starved of resources, and any profits earned there are reinvested in Khartoum and other cities, or outside the country. The safest bank is urban real estate.

13. Hyper-inflation during the period 1978-95 wiped out Sudan's middle class and most financial institutions, allowing the entrenchment of a new economic elite, which had invested in consumer goods bought with hard currency and Islamic banking. The Islamic banks and related philanthropic agencies identified an important niche, namely loans to small entrepreneurs. Rather than providing credit with interest, they advanced money and entered into business partnerships with those entrepreneurs, thereby neatly complying with the Islamic prohibition on interest, and avoiding the problems associated with inflation. The Islamic financial sector has retreated from the small business sector recently, due to its own crises (associated with corruption and mismanagement) and the higher returns in the petroleum sector.

14. The governing Islamist elite is now consolidating its position through oil contracts, real estate and other booming sectors such as telecommunications. Sound money may allow the emergence of a new middle class and make longer-term investments profitable once again. However, the oil boom runs the danger of overpricing the Sudanese Dinar and undermining the

¹ Alexei Kireyev, 'Financial Reforms in Sudan: Streamlining Bank Intermediation,' IMF Working Paper WP/01/53, May 2001.

competitiveness of agriculture ('Dutch Disease', in the same way that oil money destroyed Nigeria's cotton and groundnut sectors).

Provincial Governance

15. The stability of Sudan rests on the effectiveness of local government. The importance of a legitimate, stable and non-political system of local government has been acknowledged by Sudanese experts for decades, but ignored by successive governments. Local government has been weakened by repeated system changes, inflation, bankruptcy, and manipulation for political and military ends. Of this litany of abuses, the most significant is the 'militia policy' from 1985 onwards, creating tribal militias as a mechanism for counterinsurgency.

16. As the core institutions of local government have proved either incapable, or resistant to partisan political programs, they have been further undermined by being bypassed. The Islamist government empowered its own party structures, and international agencies have preferred to use specialist humanitarian structures. The civil police has been undermined by the Popular Defense Forces and other parallel security organizations. All reforms and initiatives have been ad hoc, driven by short-term requirements. There has not been a truly comprehensive or long-term local government plan in Sudan since 1951. It is remarkable that local government has survived at all.

Sudan's Human Capital

17. Sudan has been very well-endowed with human capital. The country's premier university has ranked among the best in Africa and the Arab world, with notable strengths in social science, law and medicine. Any country's human capital is the foundation for its political stability, democracy and development. The distribution of educational opportunities has been grossly uneven. For residents of the major cities and the central region, schooling opportunities rank with those of middle-income countries. For the South, Darfur and the Beja, as well as a number of other rural peripheries, educational investment is very low indeed. Thirty years ago, with the Arab states' oil boom, economic incentives began to draw half or more of Sudan's graduates and professionals to jobs outside the country. In the last 15 years, independent-thinking intellectuals were also targeted by the regime and tens of thousands became refugees. Many of these diaspora professionals, exiles and refugees would consider returning home, but only if they are able to earn a good salary and can obtain international-standard schooling for their children.

18. Schooling is highly valued in Sudan. Even in the poorest and most crisis-ridden parts of the country, people rank education for their children high among their priorities. Expansion of education, at all levels from basic literacy, through primary and secondary to higher education and specialist professional training, makes eminent sense as a strategic investment. It is a means of providing a tangible reward for areas that have remained stable; it is a 'quick win' for a peace dividend; it is the critical step towards equality of opportunity that will change decades of marginalization; and it provides the skilled personnel essential to run the businesses and state apparatus that can make Sudan function. Nothing creates a sense of stability and hope for the future like a functioning school.

19. The Islamic extremists were determined to crush Sudan's once-vibrant intellectual life. Extremist Islamism can only flourish where free debate is suppressed. Islamists 'won' political and intellectual arguments by using the weapon of 'takfir': condemning their opponents as 'un-Islamic' and threatening them as apostates who should be punished. That shadow of

intimidation is now largely lifted. But much damage needs to be repaired, if Sudan is to rebuild the traditions of free speech essential for democracy. The expansion of information and communications technology is a boon, but also exposes young people to extremist and chauvinistic news sources and websites.

Implications of the Naivasha Comprehensive Peace Agreement (CPA)

20. The Naivasha CPA is a historic moment for Sudan. An undefeated government has yielded a remarkably fair political deal for the South and transitional zone. It is an elite deal founded on power- and wealth-sharing between the leaderships of two political-military entities that recognized that neither could defeat the other. The South has its vital interests protected and has an opt-out clause. The Northern elite commands a political majority for the interim. The deal also provides for democratization—a process that is desirable but inherently destabilizing, in that the signatory parties, especially the Congress Party, may well lose their majorities.

21. The CPA is anchored in the mutual confidence of the two parties and the commitment of the international community to make it work. The implicit deal between the international community and the GoS was that the latter make a fair peace in return for achieving international respectability after 15 years of isolation. The war and atrocities in Darfur have seriously jeopardized that deal. The security cabal at the heart of the GoS is profoundly uncertain about what is needed to satisfy the international community, and the international community suspects that that self-same security cabal has not changed its spots and will resort to violence out of habit if nothing else.

22. If the CPA is to work, the central government in Khartoum must be stabilized. This requires peace in Darfur and Eastern Sudan, and stability in other areas of Northern Sudan. But more than anything else, it requires a squaring of the circle of peace: somehow the legitimate demands of the marginalized peoples of Northern Sudan for a fair deal must be squared with the political necessity of respecting the power base of an undefeated elite which still retains veto over further progress.

23. Successful implementation of the CPA demands regional and international cooperation and support. But will the high level of international tutelage currently envisioned be seen as intrusion and generate resentment? The key to this will be whether the parties have confidence in the direction of the process and the envisaged outcome. In the Nuba Mountains, a clear long-term plan designed with the involvement of both parties has created a workable local peace. The multiple transitions ahead will require a very high level of trust on all sides, something best achieved by clearly identifying the destination and specifying the contribution of each individual step.

Scenarios

24. The best scenario for the coming six years is that the implementation of the Naivasha CPA remains on track. The sheer complexity of the process means that this is unlikely. The role of the Assessment and Evaluation Commission (to be established under the provisions of the CPA) is vital: this is where mutual trust will be sustained.

25. There are many scenarios for crisis that could cause collapse of the CPA. Possibilities include:

- a. Continued war in Darfur, or outbreak of war in Kordofan or the East. The CPA cannot be implemented without nationwide peace. Warfronts cannot be contained. For example, if conflict were to break out in Eastern Sudan, the Darfurian rebels would likely be involved through their forces on that front, which would be a spark for the GoS to renew its offensives in Darfur. Similarly, if a new insurrection were to explode in Western or Northern Kordofan, it would be difficult to preserve the Nuba Mountains ceasefire.
- b. Blockage by the security cabal, perhaps fearing they will be handed over to an international criminal tribunal. The most probable scenario is that senior security officers simply make it impossible for the government to function, vetoing decisions. They could also take more draconian measures, and there are extra-budgetary and secret security institutions that they could utilize for this.
- c. Mutiny by the Sudan Armed Forces objecting to relocation from the South or downsizing. A coup attempt seems unlikely. But Military Intelligence retains sufficient links with militias in both North and South to activate spoilers at a local level. Some resistance to DDR is inevitable. The question is not whether it will occur, but where and when, and how it will be handled.
- d. Inter-communal violence, possibly associated with the upsurge in claims for preferential political status for 'indigenous' communities. Migrant workers, IDPs, returning IDPs and refugees, 'Chadians' and numerous other groups could be the target for such violence.
- e. Political crisis arising from one of the many sensitive handovers, for example the rotating governorships of Southern Kordofan or Blue Nile.
- f. The national elections scheduled for year 4 could bring to power a new political leadership committed to changing one or more parts of the CPA. The question of whether it is legitimate to challenge components of the CPA could itself be a controversial electoral issue.
- g. The vote on self-determination in Southern Sudan, or the preparations for that vote, could spur political crisis. The major parties are all committed to unity, but the Southern electorate may have a different view.
- h. Sudan has several unstable neighbors. Eritrea is one, and Eritrea's politics have a habit of becoming the region's problems. An imploding Eritrea could foster unrest in Sudan. Chad and Central African Republic are also unstable, and we must be wary of an emerging conflict complex in those two countries, with links to DRC and Darfur.

26. One or more of these crises is likely. The most important pre-emptive measure is contingency planning, including identifying possible drivers of crisis, and possible triggers, examining scenarios for how they might unfold, and developing emergency-response mechanisms and contingency measures.

27. An intermediate scenario is one of unstable peace with no viable ruling coalition. Judging by Sudanese history, this is the most probable outcome. Elected and quasi-elected Sudanese governments have been characterized by coalition politics, with no one party commanding a plurality of votes, and no national leadership able to resolve the most pressing issues. Personal and political rivalries dominate, ruling coalitions are reshuffled, special interest groups (security officers, provincial potentates, businessmen and single-issue activists such as the Shari'a lobby)

manipulate the political disarray to their advantage, and the country staggers from one crisis to the next.

28. The SPLM has the potential to be a force for stability and positive change in the central government. No coalition can be formed without the SPLM. The SPLM has three main strategic coalition options. One, it can create a duopoly with the Congress Party (powerful but with a narrow electoral base). Second, it could resume its alignment with the leadership of the National Democratic Alliance (less powerful but with the biggest demographic constituencies). Three, it can construct a grand alliance of the marginalized, bringing in the Darfurians, the Beja and others (which has the potential to mobilize the biggest constituency of all, but may be prone to fragmentation and internal disarray). These three options could be labeled, respectively, the 'stability', 'democratic majority' and 'New Sudan' coalitions.

III. Strategies for Stabilization

29. Political stability is the sine qua non of governance stabilization and the protection and promotion of rural livelihoods. The preceding section has shown just how difficult this may be to achieve. One of the main tasks of the international community during the transition will be to minimize instability at the center.

30. An important political judgment for the U.S. Government is therefore, how much power is it wise to strip away from the central Government of Sudan? Clearly, an oppressive and over-centralized government has historically been the main engine for Sudan's manifold injustices and crises. The Naivasha CPA and any likely agreements for Darfur and the East, all lessen the power of the center. However, the historical record suggests also that periods of paralyzed, indecisive or unstable central government have not benefited Sudanese citizens including those living in the peripheries. A political judgment may soon be required, that decentralization has gone far enough, and stability demands re-empowering the center.

31. A second parallel track for stabilization focuses on the fields of governance and economics that should be insulated, as far as possible, from the vagaries of central government. This section focuses on four areas: local/provincial governance, security promotion, the economy, and education. Specific discussions of Eastern Sudan and Kordofan follow.

32. The basic principle to be followed in each of the areas is to put the long-term first. Sudan's chronic emergency has stemmed in part from 25 years of crisis management. Long-term strategy has been a byproduct of short-termism, rather than specific steps being slotted into a strategic framework. This must change.

Local and Provincial Governance

33. In 1948, the British local government expert Prof. A. H. Marshall was invited by the Anglo-Egyptian Condominium Government of the Sudan to study the local government system. He recommended a mixed system of a reformed Native Administration and an enhanced, non-political civil service. His proposals formed the core of the 1951 Local Government Act, which gave Sudan a widely-envied civil service for the next 25 years. His analysis and recommendations are still salient. Sudan needs a similar 'Marshall Plan' today for the rehabilitation of local governance.

34. Native Administration is the system of tribal chiefs. This is a three-level hierarchy. The lowest level is village sheikhs, who are local tax collectors, record keepers, and magistrates.

The middle level is Omdas, subdistrict chiefs, with greater powers and a modest salary. The upper level is paramount chiefs (Nazirs and similar), who have considerable prestige and authority.

35. The late Ja'far Bakheit is primarily known in Sudan as the architect of the 1971 Local Government Act, in which the top layer of tribal authority was abolished. But he was appreciative of the strengths of the Native Administration system. His views on the subject have stood the test of time. He wrote in 1969:

'A pragmatic attitude towards Native Administration has allowed the Sudan to build in the rural areas indigenous organs ready to help any regime that comes to office and thereby secure stability for the masses. Most of the African countries have not yet settled down to a definite system of government, a series of revolutions, counter-revolutions, coup d'états associated with violence or otherwise seem to be the inevitable harvest of many countries as long as their present potentialities and expectations remain as they are. What Africa needs is stability provided by local organs that would keep the grass roots in the ground. These organs should not be driven by the recurring tide of political change to whatever direction they fancy. They should rather provide a stable centre that would combat unrest. Native Administration has succeeded in providing a minimum of this in the Sudan.'²

36. Bakheit points to the chief virtue of the Native Administration system: stability and legitimacy. The drawbacks of the system, which Bakheit also documented, include its inability to provide services, and the tendency towards corruption and local despotism among senior chiefs. Thus Bakheit followed Marshall in advocating a mixed system of local government: imperfect but workable. A similar pragmatic attitude should inform approaches to local government today.

37. A non-political professional civil service is the second pillar of local government. Rural Sudanese remember the country's famous civil service, but many rural areas have been essentially ungoverned for twenty years. Rehabilitation of the core institutions of local government should be a priority. This will require the (re-)training of a cadre of local government officers, payment of good salaries and benefits, and the provision of sufficient resources (vehicles, offices, communications) for them to carry out their functions. In turn, local government financing needs an overhaul, to establish a simple but robust system of grants-in-aid.

38. The approach should be mixed in a second sense: it should vary by location. In areas where stability prevails, existing structures should be supported. In areas where the existing system has broken down, it should be carefully reinstituted, on the principles of conservatism and continuity. Local government rehabilitation should follow the 'oil spot' strategy of gradually spreading from a stable core. The aim should not be a uniform system across the country immediately, but progress in that direction over the lifetime of the interim government.

39. An immediate necessary step is simply to inform local government officers and Native Administrators about the details of the CPA and its implications for them. At present, most local government officers are completely in the dark about what the CPA means for them. Uncertain about what will happen to their current posting and their future career, many are not motivated to do anything, even if they knew what they were expected to do. However, an exercise in

² Ja'far M. Bakheit, 'Native Administration in the Sudan and its Significance to Africa,' in Y. F. Hasan (ed.) *Sudan in Africa*, University of Khartoum Press, 1971, p. 276.

informing local government officers and chiefs should not be just a one-way didactic exercise. It is much preferable also to use this as the occasion for their soliciting views and involving them helping design a comprehensive 'Marshall Plan' for Sudanese local government in the 21st century.

A Security Promotion Strategy

40. The dominance of security interests over civil politics has been the bane of Sudan's experiments with democracy. Sudan needs a national security strategy: it is in a rough neighborhood and faces internal and external threats. It is essential that legitimate national security concerns are given their proper place in a democratic system.

41. Although regional security (relations with neighbors) is not the concern of this paper, it is an integral component of internal security promotion. The model recently followed by Ethiopia is an interesting one. It consists of the publication of a national security White Paper,³ following internal discussions in the government and ruling party, and followed by a public debate. Coordinated public debates on the principles of national security, in Sudan and neighboring countries, should assist in promoting good neighborliness and regional peace and security.

42. Domestically, Sudan needs a security promotion strategy for the transitional period and beyond. The basic principle here is that the most expert plans for security arrangements, security sector reform and DDR cannot succeed unless there is full understanding and support from all stakeholders. Sudan needs demilitarization but this can be achieved only by consent.

43. A 'national security promotion strategy' (NSPS) is envisioned, which would roughly follow the template of a PRSP. The strategic aim would be the creation of nationwide law and order and the demilitarization of public life by a certain deadline, with intermediate benchmarks and a monitoring system. The aims, components, deadlines, benchmarks and monitoring system for the NSPS would be drawn from the Naivasha CPA, augmented by lessons from past DDR experiences (some successful, such as the Nuba Mountains JMC, some less so). It should be a multi-stakeholder enterprise, including all political parties, Native Administration leaders, religious leaders, civil society, as well as government and the international community.

44. Unlike the PRSP, where all data and issues are in the public domain, national security does not lend itself to comprehensive public discussion. Nonetheless, it is important that security issues are taken out of the exclusive preserve of a small elite in the executive, and are made an issue for citizens' engagement. An appropriate convenor for a NSPS would be the security committee of the national parliament, which would be able to exercise its judgment as to which issues should be dealt with in camera, and which should be brought into the public sphere. The committee would need substantial technical assistance in its task.

45. Issues for discussion, and the related goals and benchmarks, would include:

- a. Detailed elucidation of the provisions of the CPA and a Darfur peace agreement (assuming it is in place), including the role of the Assessment and Evaluation Commission. The outcome of this would be thorough popular understanding of the CPA requirements, their scheduling, and how Sudanese citizens can contribute to the work of the AEC.

³ Federal Democratic Government of Ethiopia, 'Foreign Affairs and National Security Policy and Strategy', November 2002.

- b. Steps towards the abolition of rural militias. Can the Nuba JMC model be extended to other areas? How is the PDF to be managed—should it be gradually abolished? The outcome of this would be set of targets for the control of weaponry in the hands of citizens, which could then be monitored by the government, citizens and international partners.
- c. Roles of civil police, Native Administration, PDF and security services in local security. The goals would be to specify in law the functions of these institutions, and to establish in fact the capacities required to fulfill these functions, with intermediate steps specified.
- d. The management of inter-communal conflicts. Advantages and shortcomings of tribal reconciliation conferences. (E.g. does the payment of bloodmoney by lineage groups reinforces tribal solidarity and exclusivism? Do they tend to reinforce tribal land ownership?) The goal would be to develop appropriate mechanisms for preventing, containing and resolving such conflicts.
- e. Transitional justice. How to manage truth, reconciliation, the prosecution of those responsible for human rights violations, and amnesty.
- f. Sudan's relations with its neighbors, and how best to handle security problems on international borders. This would take the form of a discussion of how to operationalize the national security White Paper.

46. The aim would be, within a period of 12 months, to draw up a strategy that could tackle these issues, and other relevant ones, over the period of the Interim Government, and perhaps longer. The strategy should be monitorable, by the parties, by citizens and civil society, and by international donors. Such a comprehensive NSPS, drawn up by stakeholder consultation and adopted by the government, could form the overall framework for donor support to DDR and security sector reform.

Economics and Livelihoods

47. Analysis of the chronic crisis of rural production in Sudan focuses upon a cluster of problems, including the volatility of production, the fragmentation of markets, and the extortionate cost of money.

48. Rainfed agricultural production in Sudan regularly swings between good years, in which there is a glut which can neither be stored nor sold, and bad years in which food aid is needed. This is a classic case for coordinated action to establish a strategic reserve, set floor and ceiling prices, and intervene to stabilize the market. The difficulty in Sudan is that the swings are so huge, and the infrastructure so bad, that this is an expensive undertaking—though probably cheaper in real terms than the alternative of regular appeals for international food aid. The challenge of a strategic management system for food security, to mitigate the negative impact of these extreme fluctuations, was pursued in the late 1980s⁴ but abandoned after the 1989 coup. The search for such a system should be resumed.

49. Fragmentation of markets worsens the impacts of production volatility. Sudan has a very active network of rural traders, but they operate on very tight margins and are severely handicapped by high costs for fuel and spare parts, poor infrastructure, limited credit and unreliable market information. This results in a fragmented rural marketing network, in which producers and traders are slow to respond to price signals, are risk averse, and withdraw from remoter markets when transport costs increase unduly. In turn, there are steep price gradients

⁴ Simon Maxwell, *To Cure All Hunger: Food Policy and Security in Sudan*, London, Intermediate Technology Publications, 1991.

from village to district to province to central markets, disadvantaging rural producers both in the prices they receive for agricultural produce and rural crafts (e.g. leatherworking) and in the prices they pay for essential inputs and consumer goods.

50. The single greatest contribution to the viability of rural livelihoods in Sudan would be a strong financial sector that reached rural producers. The positive impact of improved financial services would be far-reaching:

- a. Bank accounts bearing interest or Islamic-style returns would provide an effective store of wealth and a means of credit for small rural producers.
- b. Rural post offices or banks would enable migrant workers to remit money home to their families regularly.
- c. Credit to traders would reduce market fragmentation, increase traders' efficiency, increase producer prices in local markets and lower the costs of inputs.
- d. The introduction of home equity loans and other forms of long-term credit using land leases as collateral would radically improve the economic status of Sudan's middle class. This would also be an important political stabilizer.
- e. Improved bankruptcy laws will increase the efficiency of the business sector.

51. With the prospect of financial sector sanctions being lifted, the opportunities for international banks to resume business in Sudan will open up. An expert analysis of Sudan's financial sector is called for with special emphasis on the impact of financial sector reform on rural areas.

52. Improved rural infrastructure is an essential counterpart. The two main challenges here are communication and transport. Communication is the easier, given the private-sector led expansion of mobile telephones across Sudan. This has already revolutionized communication in urban centers and has the potential to do so if it is expanded to district centers and other small towns and marketplaces. If the private sector finds that it is not profitable to expand the cellular system to small towns and marketplaces, USAID should consider providing subsidies for this, or support the establishment of rural communications centers. The benefits will be twofold. First, market information will begin to flow, thus encouraging greater market activity and integration. Second, information essential for conflict management and human rights monitoring will also flow more readily.

53. Improving roads is the second, more costly component of rural infrastructure. This is a vast undertaking but if done on a sufficient scale will make an enormous difference to the viability of livelihoods in remote regions. Constructing a metalled road to Darfur would transform the Darfurian economy. Infrastructure projects have the additional advantage that they are employment-intensive, and will provide an income to thousands of rural workers. Expansion of employment in marginalized areas is not only an essential economic boost but is also a political stabilizer. This task is one well-suited to aid donors with a preference for infrastructural projects such as the European Commission, Japan and China.

54. The third essential component for rural rehabilitation is agricultural extension services and veterinary services. Sudan has a long history of these activities and considerable expertise. In the 1970s and '80s, Sudanese agronomists developed a range of drought-resistant, short-season or high-yielding varieties of sorghum. There is immense demand, especially for veterinary services. Even during the height of conflict, vets are often able to cross the front lines and provide their services to herders on both sides.

55. The importance of rural infrastructure and the efficient functioning of the financial system is increased because of the real possibility 'Dutch Disease', namely the over-valuation of the exchange rate due to oil revenues and (to a lesser extent) international assistance. In Nigeria, this phenomenon contributed to the decline of cotton and groundnut production and exports. A similar squeeze on agricultural production in Sudan might be expected. It is clearly neither possible nor desirable to limit oil revenues or international aid. The expansion of roads and credit should do much to offset these adverse effects. Most economists concur that in post-conflict situations, an over-valued exchange rate aids reconstruction by making inputs cheaper and does not significantly impede the revival of production. However, Sudan's largest agricultural sectors, which include sorghum production in the east and cotton production in the Gezira, have not been affected by the war, may suffer a loss of competitiveness. An expert study of the likely 'Dutch Disease' effects and how they can be overcome is warranted.

Education

56. Education consistently ranks high among the ranked priorities of rural people in Sudan, no matter how poor and crisis-ridden they are. A functioning school is a mark of normality and a sign of hope for the future. The rehabilitation and expansion of schooling can begin at once in rural areas that are stable, including areas close to the war zone such as south-east Darfur. This will serve the following purposes:

- a. It is a means of providing tangible benefits to areas which have so far remained stable in Darfur.
- b. It addresses an important driver of regional inequality in Sudan, namely unequal access to educational opportunities.
- c. It is a quick win, demonstrating the reality of the peace dividend.

57. A second field of education demanding rehabilitation is higher education and specialist training. Despite the formal expansion of higher education institutions, their quality has suffered. There is a dire shortage of younger Sudanese scholars and specialists who can contribute with acumen and learning to the challenges of reconstruction and democratization. For example, humanitarian and development agencies find they have to rely extremely heavily on the skills provided by a relatively small number of experienced Sudanese consultants. Building up Sudan's research and training centers, such as the specialized centers for local government studies and development economics at the University of Khartoum, will pay handsome dividends in a few years' time.

58. A third, related field needing rehabilitation is political, economic and cultural debate. Due primarily to political repression, and secondarily to economic crisis and international isolation, Sudan's intellectual life has been reduced to a shadow of its former self. The spirit of free speech is there, but the sophistication of public argument has suffered. A range of foundations and institutes will doubtless step into this gap, but their efforts are likely to be small-scale and will not address the financial crises afflicting the core institutions of higher learning, including the universities. Restrictions on cultural and educational links between the U.S. and Sudan were lifted in late 2004. The next step is to initiate a program of educational partnership with Sudanese universities, colleges and schools.

IV. Emergency Strategy for Eastern Sudan

59. Eastern Sudan—the Beja-dominated territories from the Red Sea coast to Kassala and the Gash river—faces an immediate high risk for violent conflict. This arises through the alignment of the following factors:

- a. The Beja people are demanding a political settlement to their legitimate grievances, but have no forum in which to pursue their case. They are demanding a fair share of national wealth, better representation at the center, and regional autonomy including respect for their traditions.
- b. The Beja Congress (external wing) has an armed wing with an estimated 1,500 guerrillas in Eritrea and non-government-controlled areas of Eastern Sudan. This was active in fighting the GoS from 1994-8, carving out a substantial territory, and though it has lost most of that territory, is still a presence,
- c. There are several potential sparks for conflict including disputes over employment in Port Sudan, disputes over land and local administration, and the GoS mishandling of the January demonstrations in Port Sudan.
- d. The Darfur fronts have armed forces in Eritrea. They have been discussing the option of opening a second front in their war against the GoS.
- e. The Eritrean factor is intrinsically unpredictable. Eritrea has made clear its opposition to the Naivasha CPA, which it considers a premature sell-out by the SPLA. One explanation is that the Eritrean President does not wish to see a settlement of the Sudan war before his own internal problems are resolved.

60. Eastern Sudan requires a political settlement of its people's legitimate grievances before another conflict destabilizes Sudan. This requires a forum for the Beja and other Eastern Sudanese, and a diplomatic engagement with Eritrea. The Congress Party and SPLM may be required to yield some of their hard-won quotas for power sharing to the Beja, as well as doing so for Darfur.

61. Some underlying issues can be addressed by economic policies, development programs and humanitarian assistance. Key social and economic issues include the following:

- a. Employment opportunities for Beja in Port Sudan. The containerization of the port has led to the authorities laying off Beja laborers, in turn leading to unrest. Employment opportunities in mines and factories are also inadequate.
- b. Under-employment of Beja stems in part from inadequate educational opportunities in the region.
- c. Access to dry-season pastures for herds in the Tokar and Gash deltas. The creation of farming schemes, chiefly provided to outsiders, has incrementally denied Beja pastoralists of most of their dry season grazing reserves. This was the spark for the creation of the Beja Congress itself in 1958.
- d. Administrative reorganization that has awarded a Nazirate, and associated land jurisdiction, to the Rashaida, at the expense of the Beja.

62. Possible problems also exist further to the south, in Gedaref and Sinja-Sinnar areas, down as far as the internal boundary with Blue Nile State. These include:

- a. There are substantial numbers of migrants from Darfur and Kordofan and Sudanese of West African origin (Fellata) in Eastern Sudan. Some are seasonal migrants, others have lived there for generations. If the Darfur conflict remains

unresolved, they may be identified by the Darfur rebels as a constituency for recruitment (as occurred in the mid-1990s, when some joined the NDA forces in Eritrea), or by the GoS as a security risk. Alternatively, if a settlement to the Darfur conflict is seen as giving them privileged status in Darfur, there may be calls for them to 'return home' and yield their residences and farms to 'indigenous' Easterners.

- b. The northern boundary of Blue Nile State is an arbitrary line. There are communities just to the north that consider themselves marginalized, and some of them took up arms in the mid-1990s in a brief insurrection. There are also disturbing signs of the mobilization of militias in this area. The establishment of Blue Nile State as a special zone could be the spark for local ethnic cleansing further to the north, as pro-Congress Party groups insist that their Funj neighbors should go south.
- c. There are unresolved land jurisdiction and Native Administration issues throughout the area, for example the status of the Fellata Nazirate on the Blue Nile.

63. Eastern Sudan cries out for a pre-emptive and proactive approach by the international community to avoid the kind of disaster that has overwhelmed Darfur. Eastern Sudan is doubly dangerous because if conflict does erupt, it will very quickly impact upon major towns (Port Sudan and Kassala) and on vital infrastructure that passes through the area (road, rail and oil pipeline). Unlike in the western and southern peripheries, where an insurrection can rage for months or years without posing a strategic threat to the GoS, a war in Eastern Sudan can escalate to a major crisis extremely rapidly.

V. Other Areas

64. There is significant unrest in Western and Northern Kordofan. This arises from several causes. One is discontent at the dissolution of Western Kordofan State. The southern part, dominated by the Misiriya Arabs, has been divided. The larger part has been (re-)absorbed into Southern Kordofan, where the Misiriya fear they will be disadvantaged by the Nuba. Abyei District in the south has its own special status, and the Misiriya fear they will be excluded from power or access or both. The northern part has been (re-)absorbed into Northern Kordofan, where the Dar Hamid and other communities fear they will lose the administrative powers and privileges they gained with the creation of Western Kordofan State in 1994.

65. A second cause is destabilization by the Darfurian fronts, which have been seeking to extend their theaters of operation eastward. A third is the frustration of the many unemployed graduates from Kordofan's main towns. A final factor is the feeling among Kordofani leaders that they can only obtain their fair share of national resources by taking up arms. Their reading of the Naivasha CPA and the Darfur peace talks is that the GoS and the international community only listen when people take up armed struggle.

66. Kordofan is less explosive than Eastern Sudan, not least because any insurrection there would take some months to grow. However, the sooner that the issues can be addressed, the more effective the interventions will be.

67. There are also signs of discontent in the (far) North Sudan. The communities affected by the dam at Merowe on the Nile have expressed their dismay. Separately, the establishment of armed front has been declared. The Nubian community, at home and in exile, is also mobilizing to promote its interests. These areas, although providing most of the ruling families of Sudan,

have long been neglected in terms of economic development. One of the most insidious forms of domination is to live in the home area of a ruling elite: your only form of political recourse is through family ties, and everyone else assumes you are privileged. The grievances of the far north are real. But it is improbable that they will mobilize sufficiently to threaten the stability of the state.

68. The basic principle that arises from this discussion is that of stabilizing the non-conflict areas. The CPA, because of its focus on geographic arithmetic, has the appearance of being a zero-sum game, in which the South gains and others lose. In fact, the peace dividend should benefit all. Quick wins in this regard include improving education and providing financial services to small businesses and home-builders.

VI. Recommendations

69. The overarching recommendation for USAID arising from the analysis, above, is the imperative of strategic planning. A medium/long-term plan for the stabilization of governance and livelihoods in Northern Sudan is needed. At the minimum, this plan should cover the six years of the Interim Period. Short-term actions should be consistent with this longer-term strategic plan.

70. A strategic plan for USAID's involvement should include the following nine recommendations:

- I. **Contingency planning:** Careful contingency planning to identify the threats to the transition from various sources is needed, along with examination of contingency measures necessary to respond to these threats. This could either be a task for the Assessment and Evaluation Commission to be established under the Naivasha CPA, or a separate body that feeds into the AEC.
- II. **Stabilize the non-conflict areas:** Governance and development interventions should begin at once in areas not affected by conflict.
- III. **Enact a priority program for Eastern Sudan:** Concerted diplomatic, development and local governance efforts are needed to pre-empt an outbreak of war in Eastern Sudan.
- IV. **Draw up a 'National Security Promotion Strategy':** Using the PRSP as a rough framework, USAID should sponsor an inclusive national process that identifies the major goals for security promotion, including implementation of the CPA, plus DDR, security sector reform and local conflict management, specifies monitorable benchmarks, and allocates responsibilities.
- V. **A practical plan for local government:** drawing upon the pragmatic example of the late Prof. Marshall, a 'mixed' blueprint for local government is needed, including both a suitably reformed Native Administration and a professional and non-political civil service in the rural areas, backed by adequate budgetary allocations.
- VI. **National food security planning:** Sudan can feed itself if its problems of volatile agricultural production and market fragmentation can be overcome. This requires a national food security plan, until these structural issues are overcome and the market can function effectively.
- VII. **Financial sector reform:** as sanctions are lifted, Sudan's dysfunctional financial sector desperately needs reform. Appropriate financial services for small businessmen, traders, rural producers and middle-class home-builders, hold out the promise of being an engine for rural economic revival. This demands a separate expert study.

- VIII. **Rural infrastructure:** investment in cellular phones in rural centers, roads, and agricultural extension and veterinary services will all assist in reviving rural areas.
- IX. **Invest in education:** more and better schooling in marginal areas is a means of redressing historic imbalances and establishing confidence in the future of those areas. Enhancing higher education is a means of training the individuals whose skills will be needed for the future development of Sudan, and of combating extremism.

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